

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

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October 3, 2002

Ms. Linda A. Holtzscheiter, Reimbursement Manager  
Mariner Post-Acute Network  
15415 Katy Freeway, Suite 800  
Houston, Texas 77094

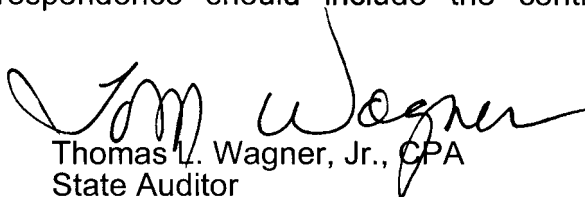
Re: AC# 3-BCC-J9 – Brian Center of Central Columbia, Inc., d/b/a Brian Center Nursing  
Care/Columbia

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph P. Hayes

**BRIAN CENTER OF CENTRAL COLUMBIA, INC.  
D/B/A BRIAN CENTER NURSING CARE/COLUMBIA**

**COLUMBIA, SOUTH CAROLINA**

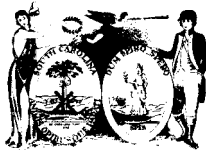
**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2000  
AC# 3-BCC-J9**

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 21, 2002

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Brian Center of Central Columbia, Inc., d/b/a Brian Center Nursing Care/Columbia, for the contract period beginning October 1, 2000 and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Brian Center of Central Columbia, Inc., d/b/a Brian Center Nursing Care/Columbia is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

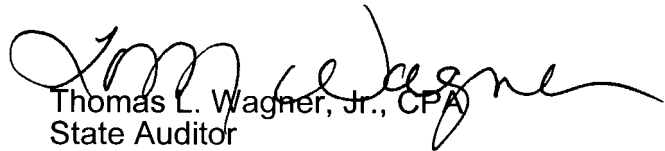
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Brian Center of Central Columbia, Inc., d/b/a Brian Center Nursing Care/Columbia, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Brian Center of Central Columbia, Inc., d/b/a Brian Center Nursing Care/Columbia dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
August 21, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**BRIAN CENTER NURSING CARE/COLUMBIA**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2000  
AC# 3-BCC-J9

10/01/00-  
09/30/01

Interim Reimbursement Rate (1)	\$105.12
Adjusted Reimbursement Rate	<u>100.72</u>
Decrease in Reimbursement Rate	\$ <u><u>4.40</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 2000 Through September 30, 2001  
AC# 3-BCC-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$57.06	\$54.01	
Dietary		8.60	10.12	
Laundry/Housekeeping/Maintenance		<u>9.88</u>	<u>8.88</u>	
Subtotal	\$ <u>-</u>	75.54	73.01	\$ 73.01
Administration & Medical Records	<u>\$1.69</u>	<u>8.86</u>	<u>10.55</u>	<u>8.86</u>
Subtotal		84.40	<u>\$83.56</u>	81.87
<u>Costs Not Subject to Standards:</u>				
Utilities		1.91		1.91
Special Services		.68		.68
Medical Supplies & Oxygen		2.36		2.36
Taxes and Insurance		1.86		1.86
Legal Fees		<u>.02</u>		<u>.02</u>
<b>TOTAL</b>		<u>\$91.23</u>		88.70
Inflation Factor (3.20%)				2.84
Cost of Capital				7.02
Cost of Capital Limitation				(1.15)
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.69
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-On 10/01/99				.67
Nurse Aide Staffing Add-On 10/01/00				<u>.95</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$100.72</u>

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
AC# 3-BCC-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$5,494,962	\$ -	\$ 430 (8) 355,746 (10)	\$5,138,786
Dietary	774,033	2,270 (10)	1,965 (8)	774,338
Laundry	213,622	-	-	213,622
Housekeeping	322,992	1,023 (12)	1,335 (13)	322,680
Maintenance	354,834	1,060 (12)	931 (9) 1,405 (13)	353,558
Administration & Medical Records	1,048,206	1,292 (12)	249,115 (9) 878 (10) 102 (11) 1,148 (13)	798,255
Utilities	175,881	526 (12)	8 (9) 3,430 (10) 684 (13)	172,285
Special Services	84,078	215,902 (11)	207,078 (7) 31,241 (8)	61,661
Medical Supplies & Oxygen	465,496	-	170,909 (5) 62,618 (6) 3,519 (8) 4,573 (10) 11,710 (11)	212,167
Taxes and Insurance	213,910	3,485 (9) 614 (12)	6,328 (3) 43,984 (4) 648 (13)	167,049
Legal Fees	54,501	71 (12)	42,225 (2) 10,247 (9) 2 (13)	2,098



**BRIAN CENTER NURSING CARE/COLUMBIA**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
AC# 3-BCC-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	730,050	1,209 (12) 23,353 (14)	75,379 (1) 45,677 (9) 15 (10) 935 (13)	632,606
Subtotal	9,932,565	250,805	1,334,265	8,849,105
Ancillary	221,884	109,406 (5) 54,546 (6)	-	385,836
Non-Allowable	(247,290)	75,379 (1) 41,700 (2) 43,984 (4) 13,517 (5) 8,072 (6) 37,155 (8) 302,493 (9) 2,782 (10) 6,157 (13)	204,090 (11) 5,795 (12) 23,353 (14)	50,711
Total Operating Expenses	<u>\$9,907,159</u>	<u>\$945,996</u>	<u>\$1,567,503</u>	<u>\$9,285,652</u>
Total Patient Days	<u>90,053</u>	<u>-</u>	<u>-</u>	<u>90,053</u>
Total Beds	<u>257</u>			

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-BCC-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 328,683	
	Other Equity	838,861	
	Nonallowable	75,379	
	Fixed Assets		\$1,167,544
	Cost of Capital		75,379
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Retained Earnings	525	
	Nonallowable	41,700	
	Legal		42,225
	To adjust legal fees and properly charge expense applicable to the prior period HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
3	Retained Earnings	12,368	
	Accrued Property Taxes		6,040
	Taxes and Insurance		6,328
	To adjust property taxes and related accrual HIM-15-1, Sections 2302.1 and 2304		
4	Nonallowable	43,984	
	Taxes and Insurance		43,984
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Retained Earnings	47,986	
	Ancillary	109,406	
	Nonallowable	13,517	
	Medical Supplies		170,909
	To properly classify expense applicable to the prior period, reclassify expense to the proper cost center, and disallow expense due to lack of documentation HIM-15-1, Sections 2302.1 and 2304 State Plan, Attachment 4.19D DH&HS Expense Crosswalk		

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-BCC-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Ancillary	54,546	
	Nonallowable	8,072	
	Medical Supplies		62,618
	To reclassify expense to the proper cost center and disallow expense due to lack of documentation HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
7	Retained Earnings	207,078	
	Special Services		207,078
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
8	Nonallowable	37,155	
	Restorative		430
	Dietary		1,965
	Medical Supplies		3,519
	Special Services		31,241
	To adjust expense to cost of related organization HIM-15-1, Section 1000		
9	Taxes and Insurance	3,485	
	Nonallowable	302,493	
	Maintenance		931
	Administration		249,115
	Legal		10,247
	Utilities		8
	Cost of Capital		45,677
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-BCC-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Prepaid Expense	878	
	Bed Hold Revenue	358,292	
	Miscellaneous Income	3,170	
	Dietary	2,270	
	Nonallowable	2,782	
	Intercompany		2,750
	Nursing		355,746
	Administration		878
	Utilities		3,430
	Medical Supplies		4,573
	Cost of Capital		15
	To properly offset income against related expense		
	HIM-15-1, Sections 2102.3, 2105.3, 2304 and 2328		
	State Plan, Attachment 4.19D		
11	Special Services	215,902	
	Administration		102
	Medical Supplies		11,710
	Nonallowable		204,090
	To adjust special (ancillary) services reimbursed by Medicare		
	State Plan, Attachment 4.19D		
12	Housekeeping	1,023	
	Maintenance	1,060	
	Administration	1,292	
	Legal	71	
	Utilities	526	
	Taxes and Insurance	614	
	Cost of Capital	1,209	
	Nonallowable		5,795
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center		
	HIM-15-1, Section 2102.3		
	State Plan, Attachment 4.19D		

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-BCC-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Nonallowable	6,157	
	Housekeeping		1,335
	Maintenance		1,405
	Administration		1,148
	Legal		2
	Utilities		684
	Taxes and Insurance		648
	Cost of Capital		935
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
14	Cost of Capital	23,353	
	Nonallowable		23,353
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$2,743,837</u>	<u>\$2,743,837</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1999  
AC# 3-BCC-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>257</u>
Deemed Asset Value	9,294,405
Improvements Since 1981	1,429,006
Accumulated Depreciation at 9/30/99	<u>(2,537,566)</u>
Deemed Depreciated Value	8,185,845
Market Rate of Return	<u>.060</u>
Total Annual Return	491,151
Return Applicable to Non-Reimbursable Cost Centers	(1,899)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>379</u>
Allowable Annual Return	489,631
Depreciation Expense	150,676
Amortization Expense	1,070
Capital Related Income Offsets	(7,836)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(935)</u>
Allowable Cost of Capital Expense	632,606
Total Patient Days (Minimum 96% Occupancy)	<u>90,053</u>
Cost of Capital Per Diem	\$ <u><u>7.02</u></u>

**BRIAN CENTER NURSING CARE/COLUMBIA**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1999  
AC# 3-BCC-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 1.88
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>5.87</u>
Reimbursable Cost of Capital Per Diem	\$ 5.87
Cost of Capital Per Diem	<u>7.02</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.15)</u>

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